

## Message Text

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21

ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 DRC-01 AID-20 CIAE-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20

STR-08 CEA-02 TAR-02 L-03 /133 W

----- 037488

R 200853Z NOV 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 5488

INFO AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

UNCLAS JIDDA 5132

E.O. 11652: N/A

TAGS: EIND, ETRD, SA, JA

SUBJ: SAUDI MANUFACTURE OF AIR CONDITIONERS

REF: STATE 198810

SUMMARY: NO LOCAL KNOWLEDGE OF SUBJECT PROPOSAL. HOWEVER, SUCH INVESTMENTS INEVITABLY WILL BE COMING, AND THE ONLY WAY U.S. FIRMS WILL BE ABLE TO PROTECT THEIR MARKETS HERE WILL BE TO MAKE THEM FIRST. END SUMMARY.

1. LOCAL BUSINESS CIRCLES, INCLUDING JIDDA DISTRIBUTOR FOR HITACHI, HAVE NO KNOWLEDGE OF SUBJECT PROPOSAL. CHECK WITH JAPANESE EMBASSY ALSO NEGATIVE.

2. IN GENERAL TERMS, HOWEVER, DO NOT AGREE WITH COMMERCE'S BELIEF THAT SUCH INVESTMENT PROJECTS WILL NOT RECEIVE TARIFF OR SIMILAR PROTECTION. INDUSTRIAL DEVELOPMENT IS RECEIVING TOP PRIORITY BY SAG, AND IT IS DECLARED POLICY THAT LOCAL INDUSTRIES WILL RECEIVE PROTECTION AS APPROPRIATE. SUCH PROTECTION WILL PROBABLY NOT BE PREEMPTIVE OR PUSHED TO EXTREMES, BUT WILL BE REAL.

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3. WHILE THIS PARTICULAR CASE MAY BE FALSE ALARM, IT NEVER-THELESS UNDERLINES A BASIS FACT OF LIFE: SAUDIS ARE NOT CONTENT TO RELY PERMANENTLY ON IMPORTS ALMOST EXCLUSIVELY FOR THEIR INDUSTRIAL AND CONSUMER NEEDS. SUCH INVESTMENT PROJECTS AS THIS ARE INEVITABLY COMING. U.S. MANUFACTURERS WORRIED ABOUT LOSING SAUDI MARKET TO INDIGENOUS PRODUCTION CAN ONLY PROTECT THEMSELVES IN LONG RUN BY INITIATING SUCH PROJECTS THEMSELVES AND BEATING JAPANESE/EUROPEANS TO THE PUNCH. DEPENDING ON TYPE OF PRODUCT, SUCH INVESTMENTS MAY OFTEN STILL BE ABLE TO DRAW HEAVILY ON HOME PLANTS FOR COMPONENTS, ETC., BUT ASSURE COMPANY OF FAVORED STATUS. EVEN THOUGH ECONOMICS OF INDUSTRIAL INVESTMENT HERE MAY NOT COMPARE VERY FAVORABLY WITH MANY OTHER OVERSEAS LOCATIONS, THIS WILL OFTEN BE ONLY WAY TO KEEP SHARE OF LOCAL MARKET. ONE POSITIVE FACTOR WHICH NEEDS TO BE IMPRESSED ON U.S. FIRMS IS THAT, WITH THE AMPLE INVESTMENT CAPITAL AVAILABLE IN BOTH GOVT AND PRIVATE SECTORS HERE, INVESTMENT IN SAUDI ARABIA DOES NOT NECESSARILY REQUIRE AS LARGE A FINANCIAL COMMITMENT AS IN MOST CASES. BY BASING EQUITY PARTICIPATION IN JOINT VENTURES ON PROVISION OF TECHNOLOGY AND MANAGERIAL EXPERTISE, U.S. FIRMS MAY BE ABLE TO PARTICIPATE IN LOCAL PROJECTS WITH MINIMUM STRAIN ON CORPORATE FINANCES.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 NOV 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Reference:** STATE 198810  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** boyleja  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 JAN 2002  
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**TAGS:** BEXP, SA, JA  
**To:** STATE  
**Type:** TE  
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